MOTION FILED
JUN 30 1997

(3)

No. 96-1899

IN THE
SUPREME COURT OF THE UNITED STATES
October Term, 1996

INSULTHERM, INC., THERMACON, INC.
and MARK MCBRIDE,

Petitioners,

v.

TANK INSULATION INTERNATIONAL, INC.,

Respondent.

**On Petition for a Writ of Certiorari
To the United States Court of Appeals
For the Fifth Circuit**

MOTION FOR LEAVE TO FILE BRIEF AMICUS CURIAE AND BRIEF OF AMICUS CURIAE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI

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June 30, 1997

9 pp

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MOTION FOR LEAVE TO FILE BRIEF AMICUS CURIAE

The American Intellectual Property Law Association ("AIPLA"), a national association of more than 10,000 members whose interest and practice lie in the area of intellectual property law, including patent law and related antitrust matters, respectfully moves for leave to file the attached brief *amicus curiae* in this case. The consent of the attorney for petitioner has been obtained. The consent of the attorney for respondent was requested but not obtained. However, the attorney for the respondent has indicated in a statement that the respondent will not oppose this motion.

The AIPLA is not, at this stage of the proceedings, supporting the position on the merits of either of the litigants. Instead, we offer views on the importance of the issues presented and the need to resolve

intercircuit conflict which, we respectfully submit, argue for granting the petition for certiorari.

Accordingly, the AIPLA respectfully requests that the Court grant its motion for leave to file the accompanying brief, and consider the AIPLA's arguments during its deliberations.

Respectfully submitted,
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BRIEF OF AMICUS CURIAE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI

STATEMENT OF INTEREST

The American Intellectual Property Law Association ("AIPLA") is a national association of more than 10,000 members whose interest and practice lie in the area of intellectual property law, including patent law and related antitrust matters. The AIPLA's members include attorneys in private practice and attorneys employed by corporations, universities, and government. Unlike many other areas of practice in which separate and distinct plaintiffs' and defendants' bars exist, most, if not all, intellectual property law attorneys represent

both plaintiffs and defendants. The AIPLA has obtained consent from the Petitioner to file an amicus brief, but not from the Respondent; therefore, the AIPLA is concurrently moving for leave to file an amicus brief for the Court's consideration.

Pursuant to Rule 37.6, none of the parties or their counsel have contributed either substantively or monetarily to the preparation of this brief. Specifically, only the amicus, its members and its counsel have made a monetary contribution to the preparation or submission of this brief.

The AIPLA is not, at this stage of the proceedings, supporting the position of either of the litigants on the merits. Instead, we address the importance of the issues presented and the need to resolve inter-circuit conflict which, we respectfully submit, argue strongly for granting certiorari.

SUMMARY OF ARGUMENT

Patent litigation is typically an expensive undertaking with serious consequences to the finances and viability of the businesses or parties involved. The assertion or potential assertion of an antitrust claim can multiply the risks to the litigants.

There is great uncertainty as to whether an antitrust claim must be asserted as a compulsory claim in a patent infringement suit. That uncertainty results from inconsistent application of this Court's decision in *Mercoid v. Mid-Continent Inv. Co.*, 320 U.S. 661 (1994), which created an exception to Fed. R. Civ. P. 13(a). Inconsistent interpretations of the *Mercoid* exception have led to proliferation of litigation and uncertainty, both of which tend to frustrate the goals of promoting just, efficient, and economical resolution of intellectual property litigation, in particular, and civil disputes, in general. This inconsistency has created a conflict of decisions between the Circuit Courts and a need for further guidance from this Court.

Accordingly, the AIPLA respectfully urges the grant of the petition for certiorari in order to clarify this important area of law.

REASONS FOR GRANTING THE PETITION

The *Mercoid* Exception is Unclear and Requires Definition

The decision below warrants review, because of its fundamental importance to patent or antitrust litigation in particular, and to civil litigation in general, in that it involves the propriety, application and scope of a judicially created exception to the compulsory counterclaim requirement of an otherwise plain Fed. R. Civ. P. 13(a).

When a claim is deemed compulsory, litigants are required to assert it in their original suit and, if they fail to do so, are barred from pursuing it subsequently in a separate action. Permissive counterclaims, on the other hand, may be postponed at the pleader's option without risking their future viability.

Under Rule 13(a), a counterclaim is compulsory if it arises out of the same transaction or occurrence as the opposing party's claim. The standard set forth by this Court over seventy years ago permits wide latitude in making case-by-case determinations of whether counterclaims are compulsory. In *Moore v. New York Cotton Exchange*, the Court explained:

> [a transaction or occurrence] is the one circumstance without which neither party would have found it necessary to seek relief. Essential facts alleged by appellant enter into and constitute in part the cause of action set forth in the counterclaim. That they are not precisely identical, or that the counterclaim embraces additional allegations . . . does not matter.

270 U.S. 593, 610 (1926).

In the lower courts, four additional sub-tests have emerged for deciding whether a counterclaim is compulsory *viz.*: (1) whether the issues of fact and law raised by the claim and counterclaim are largely the same; (2) whether substantially the same evidence will support or refute plaintiff's claim as well as defendant's counterclaim; (3) whether res judicata would bar a subsequent suit on defendant's claim absent the compulsory counterclaim rule; and (4) whether there is a logical relationship between the claim and the counterclaim. *Tank Insulation Int'l, Inc. v. Insultherm, Inc.*, 104 F.3d 83, 85-86 (5th Cir. 1997).

Both the District Court and the Fifth Circuit in the decisions below considered those four sub-tests and concluded that the Respondent's antitrust counterclaim was compulsory and, therefore, was required to be raised in the original action. However, the Fifth Circuit interpreted this Court's decision in *Mercoid* as creating an overriding, broad exception to Rule 13 which saved the previously unasserted antitrust counterclaim. *Tank Insulation Int'l, Inc. v. Insultherm, Inc.*, 104 F.3d at 88-89.

Exceptions to the compulsory counterclaim rule require balancing equitable policies against the goal of discouraging piecemeal proliferation of litigations by requiring resolution of all related disputes in a single action. The basis for and scope of the exception created in *Mercoid* are not clearly defined. Some analysts explain it on grounds of public policy, *e.g.* John J. Barnhardt, III, *Counterclaiming in Patent Infringement Litigation*, 15 AIPLA Q.J. 175, 180 (1987) (citing authorities), reasoning that the public interest mandates purging what the Court called "a graphic illustration of the evils of an expansion of the patent monopoly by private engagements." *Mercoid*, 320 U.S. at 666. However, that explanation lacks precision and leaves the boundaries of the exception undefined, which necessarily results in uncertainty, risk, and additional litigation. For example, the decision below leaves open whether the exception created by *Mercoid* applies to every antitrust counterclaim arising in the infringement context. *Tank Insulation Int'l*, 104 F.3d at 88 n.5. This is particularly so

because the decision below merely applied the exception created by *Mercoid* without reexamining the principles for its validity.

Review is Required to Resolve a Clear Dispute Among The Circuits

Review is warranted, in addition, because there is a conflict of decisions among the six Circuits which have considered the issue of the availability and application of the *Mercoid* exception. The Fifth Circuit joined the Seventh,[1/] Eighth,[2/] and Ninth[3/] Circuits which follow *Mercoid* as a broad principle. In contrast, the Second[4/] and Fourth[5/] Circuits have effectively declined to follow *Mercoid* by limiting the opinion to its complicated facts.

This conflict results from the lack of clear guidance and definition in the *Mercoid* exception. The Circuits that follow *Mercoid* do so with little reexamination of the principles for the creation of an exception to the compulsory counterclaim rule, apparently assuming that any limitation of an exception created by this Court is beyond their judicial authority. In contrast, the Second Circuit refuses to follow *Mercoid* "in view of the criticism which the decision has received and the failure of the Court to discuss the principles upon which the decision rests." *Eastport S.S.*, 255 F.2d at 805.

1/ *Switzer Bros. v. Locklin*, 207 F.2d 483, 488 (7th Cir. 1953), *cert. denied*, 347 U.S. 912 (1953).

2/ *Agrashell, Inc. v. Hammons Prods. Co.*, 479 F.2d 269, 287 (8th Cir. 1973), *cert. denied*, 414 U.S. 1022 (1973).

3/ *Hydranautics v. FilmTec Corp.*, 70 F.3d 533, 536 (9th Cir. 1995).

4/ *United States v. Eastport S.S. Corp.*, 255 F.2d 795, 805 (2d Cir. 1958).

5/ *Burlington Indus., Inc. v. Milliken & Co.*, 690 F.2d 380, 389 (4th Cir. 1982), *cert. denied*, 461 U.S. 914 (1983).

The outcome of litigation should not depend on the choice of venue. This clear and presently irreconcilable conflict among the circuits requires resolution by this Court.

CONCLUSION

In view of the foregoing, the petition for a writ of certiorari should be granted.

Respectfully submitted,
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